

expenses
a roller coaster
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Practice promotion
It's a sign of
the times

Crisis year-end
tactics can
trim your taxes

NOVEMBER 1987

veterinary economics

THE MAGAZINE OF PRACTICE MANAGEMENT AND FINANCE

2

veterinary economics

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 A Medical Economics Publication

MEMO FROM THE EDITOR

There's no magic pill to create new clients

A friend gave me a unique gift: small tablets that produce instant pets. You drop one of the red, yellow or green pills into a container of warm water and watch a dinosaur grow. The red pill transforms into a spongy tyrannosaurus. I'm waiting until I have a bigger house before I try the yellow and green pills and add to my prehistoric herd. These So-Much-Fun-Inc. pets don't require a veterinarian's care. They don't need to be fed or loved either. I was cautioned not to get these wonder pills mixed up with my vitamins. I'd hate to think what I'd do if I had a dinosaur growing in my stomach. Would I call a veterinarian or a physician first?

What about pills to produce new clients? I imagine research is a ways off yet for that. If researchers started with dinosaurs, then people pills are long way down the list, if you hold with evolution. If you favor creation, our pills may be next. But it's too bad that practitioners can't find pills they can toss into their waiting rooms to make new clients sprout—a twist on Jack and his magic beans. Until these dream tablets come along, you'll have to find clients the old-fashioned way: with good service, self-promotion, and hard work. No alchemist's tricks. This month's cover story shows how successful practitioners have attracted a new inventory of clients. They realize their clients are their most important asset, even more important than their facilities.

There are two good reasons to cast for new clients. First, your client base undergoes natural loss, and you've got to restock the tanks just to stay even. Second, your economic growth, in part, depends on gaining new clients. With the median client transaction running \$35, and most clients visiting your clinic twice a year, each recruit can bolster your income \$70. Ten new clients each month adds nearly \$8,500 annually.

Michael D. Sollars

By Michael D. Sollars

CONTENTS

VETERINARY ECONOMICS
NOVEMBER 1987



42 COVER STORY

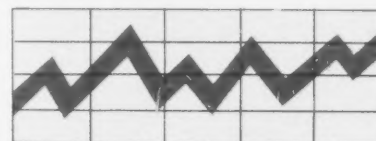
Casting for clients

Looking for new clients? If so, see what other veterinarians do to make their practices alluring to clients.

54 EXPENSES

Your expenses take a roller coaster ride

VETERINARY ECONOMICS' 1987 Continuing Survey reveals that many of your expenses shot high while some costs declined.



30 HUMOR

Yellow Pages can be funnier than comic strips

Professional ads have grown to hilarious proportions.

50 TAXES

Classic year-end tactics can trim your taxes

Time's running out for 1987 tax strategy, especially for those income adjustments that must be done before Dec. 31.

62 PRACTICE MANAGEMENT

Turn dusty corners into profit centers

A recent merchandising meeting showed veterinarians how a small investment in dispensing can improve income.

34 HOSPITAL DESIGN

Striking design makes good medicine better

Winner of two awards, this elegant animal hospital offers comfort for clients, quality care for patients, and convenience for staff.



66 PRACTICE FINANCES

Is an S corporation the answer to tax reform?

For some veterinarians, it is. For others, a switch would create more problems than it would solve. Here's how to assess your situation.

Picture credits: cover, 42, Bill Kuhn; Steve Munz; 34, 35, 36, Robert Stein; 43, Virginia Veterinary Medical Association; 48, Master's Photography; 62, Ruth Metz; 80, Dana Gustafson.

DEPARTMENTS

- 1 Memo from the Editor
- 6 Letters to the Editor
- 8 Noteworthy
- 12 Money Management Q&A
- 16 Practice Management Q&A
- 70 New for You
- 78 Classified

18 Marketing

Practice promotion: It's a sign of the times. Practice growth sometimes depends on much more than good will.

22 Financial Focus

How to budget for the American Dream. Wake up to the reality of expenditures when building your own practice.

28 Practice Tips

Proper price strategy: Our most important practice management decision is how to price a product or service.

80 Bull's Eye

In defense of the mensch. This Yiddish term should be more widely-known, both in the language and in practice.

CASTING FOR CLIENTS



Fishing for new clients? If so, see what other veterinarians do to make their practices alluring to customers.

By Jingle Davis

Four years ago Dr. Stanley Steinberg decided to leave his inner-city practice in Richmond, Va., and move to the city's perimeter. Few, if any, of his friends supported his decision to move to the undeveloped suburb.

"Everybody thought I was crazy," Dr. Steinberg recalls. "There was nothing out here then."

Time has proved Dr. Steinberg, now 51, as crazy as the proverbial fox. He owns the Deep Run Veterinary Clinic, which has flourished in the suburban periphery. He and several part-time associates see 20 to 30 clients a day in the 3,200-square-foot clinic, which is projected to gross \$260,000 this year. Last year 1,000 of those clients were new.

Many lures catch new clients

Attracting new clients is the goal of almost all practitioners, but how they go about bringing in new business varies. In a recent VETERINARY ECONOMICS survey, we asked practitioners to list the number of new clients they saw in 1986. We also asked them to tell us why they thought their business was on the increase.

Most practitioners listed word-

of-mouth recommendations from satisfied clients as their strongest lure. Many veterinarians attributed their client growth to the dynamic upswing in new people in their area. Other significant factors included: practice locations, services offered, client relations, competitive fees, and a variety of advertising techniques ranging from listings in the Yellow Pages to display ads in area newspapers.

Practice location is the key for Dr. Steinberg. "I had a gut feeling the area would be good before I moved here," he says. But the small animal practitioner admitted he didn't base his decision to relocate on gut feeling alone.

"I spent some money on a demographic study, which confirmed what I already felt," says Dr. Steinberg, a 1959 graduate of the University of Georgia College of

Veterinary Medicine.

Like the perimeters of many large cities, Richmond's is growing fast. Dr. Steinberg's clinic is located in an area of business and light industrial growth just off the main Interstate 64. There are new department stores and office parks nearby. A federal highway which runs in front of his practice will be expanded from two to six lanes in 1989. And this fall a new interchange is scheduled to open near Dr. Steinberg's clinic, which should funnel even more new clients into the practice.

"Where before there were 10 cars passing every five minutes, now there are 30 cars," Dr. Steinberg says. "The number of people working out here has jumped nicely."

For Dr. Steinberg, moving to a growing area where his well-located and architecturally-designed clinic has high visibility, contributed greatly to his growing practice. In addition, he received publicity from a local newspaper for being the first facility in the area to offer separate entrances and waiting rooms for cats and dogs. Plus, Dr. Steinberg structured his clinic hours to accommodate clients' working hours.

"On some days, as much as one-third of our business is drop-offs," Dr. Steinberg says. "We open early and have the clients make appointments. We also take as much advance history as we can over the telephone."

Dr. Steinberg also believes his people-oriented staff of four full-time and three part-time employ-



Dr. Stanley Steinberg

THE AUTHOR is this magazine's Southeast correspondent and writes for the ATLANTA CONSTITUTION.

ees helps keep his practice growing steadily.

"Taking care of the animals is the easy part," he says. "You've got to have people working for you who really enjoy dealing with people."

Location lands many

Like Dr. Steinberg, other practitioners say they attract new clients with their ideal locations. Dr. W. A. Elinburg, a 1951 graduate of the University of Georgia College of Veterinary Medicine, practices in Gwinnett County, near Atlanta—the fastest growing county in the United States. His Elinburg Veterinary Hospital is located 30 miles north of Atlanta in Lawrenceville, Ga.

Dr. Elinburg, a 67-year-old solo practitioner, says business is booming. "I began noticing a jump in new clients in 1961 or 1962," the practitioner recalls. "We now have 15 percent or more new cli-



Dr. W. A. Elinburg

FOLLOWING THE GOLDEN RULE ON THE SOUTH SIDE OF CHICAGO



Dr. Warren Anderson

Locating your practice in a high-growth area is often your best bet for attracting new clients quickly. That may not be practical if you're tied to brick and mortar, and pinned in a no-growth community. But there are tried-and-true ways to overcome even these obstacles.

Take the case of Dr. Warren Anderson, one of two partners of the Bevlab Veterinary Hospital in Blue Island, Ill., on the south side of Chicago. Blue Island, he explains, is a small city of about 17,000 people surrounded by metropolitan sprawl. "Blue Island had 17,000 people in 1958 when I started practicing. It still has that many," he says.

Still, Dr. Anderson, a 1956 graduate of the University of Illinois College of Veterinary Medicine, attracted more than 1,000 new clients to his 10,000-square-foot small animal practice this past year, even though his two-story clinic has no street sign and charges higher fees than many competitors in the area. Nor does Dr. Anderson worry about modern marketing techniques or the number of new hospitals in his area. He does nothing to encourage clients to bring new business, which is still on the increase, though at a slower rate.

How does he attract new clients? "We give good service," the 55-year-old practitioner says. "We don't rush clients in and out. We try to treat people as we'd want to be treated. Being in the area for 30 years, you get a reputation. We keep up on current practice trends and each of the partners has a specialty area."

This past year, Dr. Anderson and his partner—Dr. Robert Keough—saw about 40 clients a day, with an average client transaction of \$40. The clinic's annual gross runs around \$470,000. The practice employs two associate veterinarians, and three full-time and seven part-time staffers.

Staff turnover is low at the Bevlab clinic, which opened in the same location 19 years ago. "A consistent staff is important," Dr. Anderson says. "People like to see the same faces."

In addition, Dr. Anderson, who recently stepped down after serving six years on the AVMA executive board, is still enthusiastic about his profession even now, when he is currently in his third decade in practice.

"I'm very bullish on the profession," he says. "If you can't enjoy what you do, you need to get out." And Dr. Anderson holds hard to the Golden Rule: "I believe in being honest with clients, and being as knowledgeable as you can be," he says. "The word gets around."

ents every year."

Gwinnett's phenomenal growth has brought other veterinarians to the area and they compete for new clients.

"When I started this practice in 1951, there was one other DVM in the county," Dr. Elinburg says. "Now, there are about 30. The competition cuts down some on new clients, but I still get new clients weekly and monthly."

Although Dr. Elinburg thanks the area's growth and his hospital's location on two state highways for attracting new business, he says the old word-of-mouth from satisfied clients has been his most reliable lure.

Another reason for success is that two of his three full-time employees have worked beside him for eight years at his 3,000-square-foot facility. The practice recorded a gross income of about \$150,000 last year with about 25 clients a day and the average client transaction running \$16.

While Dr. Elinburg has welcomed about 600 new clients in the past year, he says some of the newcomers, transplants from around the country, are sometimes harder to satisfy than local clients.

"I have to spend 15 percent more time with the new people than with the locals," Dr. Elinburg says. "They seem to expect it." He figures that time factor into his fees, charging for extra time spent with new clients.

Former clients can refer

Dr. Joe W. Lindley, a 1963 graduate of Texas A&M College of Veterinary Medicine, is sole owner of the Lindley Veterinary Clinic in Dallas, Texas. The 1,800 square-foot clinic, which grossed

YOUR COLLEAGUES SAY REFERRALS DRAW NEW CLIENTS BEST

A nationwide survey conducted by VETERINARY ECONOMICS in March 1987 asked practitioners what methods proved most successful in pulling new clients to their clinics. The two leading methods are referrals and growth of area around clinic.

Method	Percent responses	Method	Percent responses
Referrals	18%	Advertising	7%
Growth of area	14	Staff	6
Locations of practice	11	New clinic	3
Services offered	10	Competition	2
Client relations	8	Computer	2
Fees	8	Community involvement	2
Professionalism	8	Longer hours	1

\$450,000 this past year, is located in a shopping center in a residential area of the city.

"Our area is rather unusual," he says. "We see a lot of people coming and going. There's a rapid turnover of homeowners." This past July, for instance, he saw five new clients a day. At the same time, Dr. Lindley says, the area isn't growing rapidly. He describes his neighborhood as "white-collar, upper-blue-collar," with middle-management people climbing the corporate ladder.



Dr. Joe W. Lindley

Dr. Lindley has been at his present location since 1970 and has a staff of eight employees, four of whom are full-time. He and one other practitioner—Dr. Mark Carter—see 45 clients a day with an average client transaction of \$37. In 1986, 763 new clients visited the practice.

Some of those new clients, he says, were probably drawn to the Lindley Veterinary Clinic by his sign, which is visible from the street and lighted at night.

"I guess that's our second most important way of getting clients," he adds. What's hooks most of his clients? Again, word-of-mouth praise.

"We've worked very hard in past years to retain clients, being nice to people and doing a very good brand of medicine," Dr. Lindley says. "It seems that people in our area appreciated that and recommended us because of it. We try to welcome and be friendly to every client. We make a big deal of being glad they're here."

Staff, prices, services add up

Dr. James Kuhn, owner of the Florissant Animal Hospital in

Florissant, Mo., has seen an impressive number of new clients since he purchased the 5,000-square-foot clinic from his uncle three years ago. Because of growing competition in the suburban St. Louis area, Dr. Kuhn realized he needed to alter the way he ran his hospital to compete in today's marketplace.

"Business was on a 10 percent slide when I bought the hospital. But we've been up 15 percent every year since then," says Dr. Kuhn, a 1984 graduate of the University of Missouri College of Veterinary Medicine. Last year Dr. Kuhn and the three other doctors at his facility saw about 1,200 new clients.

He attributes the hospital's growth to a friendly staff, competitive prices, and the wide range of services they offer.

Since many area clinics specialize in outpatient work, such as vaccinations, spays, and routine surgery, Dr. Kuhn restructured his fee schedule for those services.

"We're competitive on the things people shop for among clinics in our area," Dr. Kuhn, 28, says. "We increased prices on services other clinics can't perform, like teeth cleaning, major surgery, X-rays."

In addition, Dr. Kuhn says he believes word-of-mouth advertising builds his business.

"We send thank-you cards for referrals, plus every Christmas we get written up in the local papers for sending Christmas cards to pets," he says.

Florissant is a mobile, blue-collar community where major employers are the McDonnell-Douglas Corp. and a Ford manufacturing plant. So Dr. Kuhn has structured his clinic's hours to accommodate commuters.

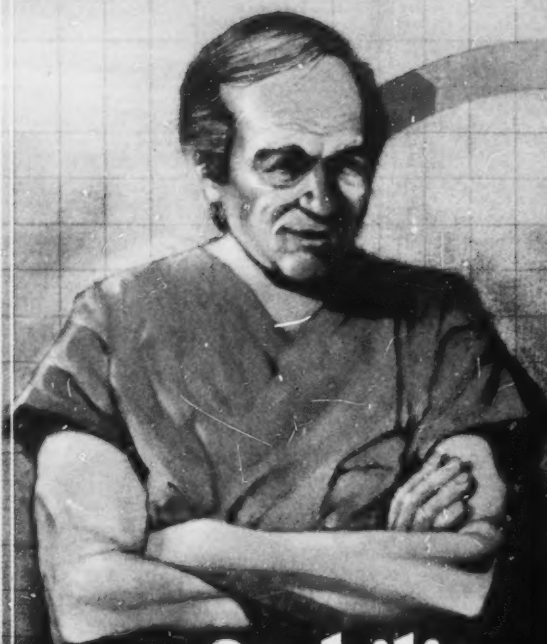
"I'd say 70 percent of our clients work either at McDonnell-Douglas or the Ford plant," Dr. Kuhn says. "Many are engineers or military people and there's a lot of turnover."

Kuhn's clinic sees about 30 clients a day and client transactions average about \$43. Annual gross income ranges from \$450,000 to \$500,000.

Although the clinic is located on a major highway, it sits back from the road on a four-acre tract.

"There's another large clinic on a nearby road, and our location—back as far as we are—hurts us a little," he says. "I have to stay a little more competitive on prices than the other clinic."

Although his clinic has a sign on the road, Dr. Kuhn says it isn't large enough. "We have strict sign ordinances here, so I can't increase the size. We're stuck with what we have." ■



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YOUR EXPENSES TAKE A ROLLER COASTER RIDE

VETERINARY ECONOMICS' 1987 Continuing Survey reveals that many of your expenses shot high while some costs declined.

By George Earle MANAGING EDITOR

While 1985 expenses increased almost across the board, 1986 saw some of the widest expense fluctuations recorded by VETERINARY ECONOMICS' Continuing Survey.

One of the most remarkable swings came in salaries and bonuses paid to employed large animal veterinarians by owner practitioners. This expense shot up from a median of \$15,000 in 1985 to \$21,200 in 1986. That followed an equally startling jump from \$7,000 in 1984. Salaries and bonuses for non-DVM assistants also increased substantially in mixed animal practices from \$13,100 in 1985 to \$15,400 last year.

Mortgage payments also varied

Office/hospital mortgage payments showed similar wild changes, some going up drastically and others dropping greatly. Large animal practices saw office/hospital expenses increase from \$2,800 in 1985 to \$4,100 in 1986. A regional breakdown shows that the South Atlantic practices increased such expenses 38.5 per

cent, while the Southwest saw a 35.3 percent decline.

Professional car upkeep and depreciation for large animal practitioners increased \$1,000 in 1986 to reach \$5,700.

Two expense categories, depreciation on medical equipment and malpractice insurance, changed very little from 1985 to 1986. Equine doctors spent the most on both, logging \$1,500 per DVM for malpractice insurance and \$2,900 each for medical equipment depreciation.

Costs bounce up and down

Total drug and medical supply costs for all 19,219 U.S. practices in 1986 shot up to \$734 million from 1985's \$640 million. Astonishingly, mixed animal practices spent 52.9 percent more on drugs and supplies in 1986 than in 1985.

And while all regions saw an increase in the cost of drugs and medical supplies, the Plains States rose 30.8 percent to \$55,600 per practice. The Northeast was close behind with a 21.1 percent increase that amounted to \$35,600 per practice. ►

EXPENSES FLASH WARNINGS

VETERINARY ECONOMICS' 1987 Continuing Survey data are based on tax-deductible professional expenses reported by individual veterinarians. Professionals in group practice were asked to estimate only their share of the tax-deductible expenses of the group, partnership, or professional corporation.

Continuing education expenses for small animal practitioners continued to decline to \$700 in 1986 from \$800 in 1985. Large animal doctors' expenses remained at \$600. Mixed animal doctors reduced this expense from \$600 to \$500.

SALARIES, BONUSES AND RETIREMENT FOR EMPLOYED DOCTORS

	1986	1985
All DVMs	\$22,200	\$20,000
Small animal	23,800	20,600
Mixed animal	21,000	20,000
Large animal ★	21,200	15,000
Equine	22,500	*

DRUGS AND MEDICAL SUPPLIES

	1986	1985
All DVMs	\$29,400	\$27,500
Small animal	26,200	25,500
Mixed animal ★	39,000	33,900
Large animal	46,500	45,000
Equine	28,500	*

DEPRECIATION ON MEDICAL EQUIPMENT

	1986	1985
All DVMs	\$3,400	\$2,900
Small animal ★	3,800	3,300
Mixed animal	3,200	3,000
Large animal	1,600	1,400
Equine	2,900	*

MALPRACTICE INSURANCE

	1986	1985
All DVMs	\$ 400	\$ 400
Small animal	300	300
Mixed animal ★	600	500
Large animal	600	600
Equine	1,500	*

SALARIES, BONUSES AND RETIREMENT FOR NON-DVM ASSISTANTS

	1986	1985
All DVMs	\$20,500	\$19,700
Small animal	24,700	23,500
Mixed animal ★	15,400	13,100
Large animal	11,200	9,700
Equine	11,700	*

OFFICE OR HOSPITAL MORTGAGE PAYMENTS

	1986	1985
All DVMs	\$10,500	\$10,000
Small animal	12,400	11,500
Mixed animal	5,200	6,400
Large animal ★	4,100	2,800
Equine	5,100	*

PROFESSIONAL CAR UPKEEP AND DEPRECIATION

	1986	1985
All DVMs	\$3,400	\$3,300
Small animal	2,900	2,800
Mixed animal	4,200	4,000
Large animal ★	5,700	4,700
Equine	6,200	*

*Insufficient numbers ★ Greatest change

PRACTICE EXPENSES FOR DRUGS AND MEDICAL SUPPLIES INCREASE DRAMATICALLY

Drug and medical expenses for all veterinary *practices* increased to \$734 million in 1986 compared to \$640 million in 1985, according to VETERINARY ECONOMICS' 1987 Continuing Survey. That figure is based on a median expense of \$38,200 per practice for 19,219 practices in the United States. The 1986 expenditure represents 14.7 percent more for drugs and medical supplies than the 18,747 practices spent in 1985. Note that 1986 figures for equine practices are included, though data for these practices in the previous year had too small a base to be significant.

Practices spend 14.7 percent more in 1986 than 1985

Practice type	1986	1985	Percent change
All	\$38,200	\$34,000	12.4%
Small animal	32,300	30,300	6.6
Mixed animal ★	65,000	42,500	52.9
Large animal	67,500	*	*
Equine	43,300	*	*

*Base Insufficient

★ Greatest change

Plains states saw largest increase for drugs and medical supplies

Practice area	1986	1985	Percent change
Northeast	35,600	29,400	21.1%
Southwest	36,500	34,700	5.2
Mid-South	36,200	32,500	11.4
South Atlantic	35,700	33,600	6.3
Plains States	55,600	42,500	30.8
Great Lakes	38,700	36,500	6
West	35,800	33,300	7.5

OFFICE/HOSPITAL EXPENSES PER DVM FLUCTUATE WILDLY IN DIFFERENT REGIONS

Of all the expense categories monitored by VETERINARY ECONOMICS' 1987 Continuing Survey, none showed the kind of wild gyrations of office/hospital expenses. On a per DVM basis, the South Atlantic region saw a 38 percent increase in those costs while the West ran a dubious second, increasing expenses more than 35 percent. Meanwhile, the Southwest decreased expenses by 35 percent. The median for all DVMs was a 5 percent increase in office/hospital expenses. Of the seven regions, four reported expense decreases while three suffered increases.

To make an interesting analysis of office/hospital expenses by region and by type of practice, compare this chart to the numbers on the office/hospital chart on page 56.

Region	1986	1985	Percent change
West	16,400	12,100	35.5
Plains States	5,500	5,300	3.8
Great Lakes	7,700	8,600	- 10.5
Northeast	7,700	8,700	- 11.5
South Atlantic	13,300	9,600	38.5
Mid-South*	6,600	7,500	- 12.0
Southwest	10,800	16,700	- 35.3
All DVMs	10,500	10,000	5

All figures are medians excluding none
*Figures have low base